

Senate File 2309 - Introduced

SENATE FILE 2309

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2223)

(SUCCESSOR TO SF 2052)

A BILL FOR

1 An Act providing for tax credits and refunds relating to
2 renewable fuels including their component biofuels and
3 including effective date provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

INCOME TAX — E-15 PLUS GASOLINE PROMOTION TAX CREDIT

Section 1. Section 422.11Y, subsection 9, Code 2016, is amended to read as follows:

9. **This section** is repealed on January 1, ~~2018~~ 2025.

Sec. 2. Section 422.33, subsection 11D, paragraph c, Code 2016, is amended to read as follows:

c. This subsection is repealed on January 1, ~~2018~~ 2025.

Sec. 3. 2011 Iowa Acts, chapter 113, section 37, is amended to read as follows:

SEC. 37. TAX CREDIT AVAILABILITY. For a retail dealer who may claim an E-15 plus gasoline promotion tax credit under section 422.11Y or **422.33, subsection 11D**, as enacted in this Act and amended in subsequent Acts, in calendar year ~~2017~~ 2024, and whose tax year ends prior to December 31, ~~2017~~ 2024, the retail dealer may continue to claim the tax credit in the retail dealer's following tax year. In that case, the tax credit shall be calculated in the same manner as provided in section 422.11Y or **422.33, subsection 11D**, as enacted in this Act and amended in subsequent Acts, for the remaining period beginning on the first day of the retail dealer's new tax year until December 31, ~~2017~~ 2024. For that remaining period, the tax credit shall be calculated in the same manner as a retail dealer whose tax year began on the previous January 1 and who is calculating the tax credit on December 31, ~~2017~~ 2024.

DIVISION II

INCOME TAX — E-85 GASOLINE PROMOTION TAX CREDIT

Sec. 4. Section 422.110, subsection 8, Code 2016, is amended to read as follows:

8. **This section** is repealed on January 1, ~~2018~~ 2025.

Sec. 5. Section 422.33, subsection 11B, paragraph c, Code 2016, is amended to read as follows:

c. **This subsection** is repealed on January 1, ~~2018~~ 2025.

Sec. 6. 2006 Iowa Acts, chapter 1142, section 49, subsection 3, as amended by 2011 Iowa Acts, chapter 113, section 20, is

1 amended to read as follows:

2 3. For a retail dealer who may claim an E-85 gasoline
3 promotion tax credit under [section 422.110](#) or 422.33,
4 subsection 11B, as enacted in this Act and amended in
5 subsequent Acts, in calendar year ~~2017~~ 2024 and whose tax
6 year ends prior to December 31, ~~2017~~ 2024, the retail dealer
7 may continue to claim the tax credit in the retail dealer's
8 following tax year. In that case, the tax credit shall be
9 calculated in the same manner as provided in [section 422.110](#)
10 or [422.33, subsection 11B](#), as enacted in this Act and amended
11 in subsequent Acts, for the remaining period beginning on the
12 first day of the retail dealer's new tax year until December
13 31, ~~2017~~ 2024. For that remaining period, the tax credit shall
14 be calculated in the same manner as a retail dealer whose tax
15 year began on the previous January 1 and who is calculating the
16 tax credit on December 31, ~~2017~~ 2024.

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DIVISION III

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INCOME TAX — BIODIESEL BLENDED FUEL TAX CREDIT

19 Sec. 7. Section 422.11P, subsection 3, paragraph b, Code
20 2016, is amended to read as follows:

21 *b.* The tax credit shall apply to biodiesel blended fuel
22 classified as provided in [this section](#), if the classification
23 meets the standards provided in [section 214A.2](#). In ensuring
24 that biodiesel blended fuel meets the classification
25 requirements of [this section](#), the department shall take
26 into account reasonable variances due to testing and other
27 limitations. The department shall adopt rules to provide that
28 where a blending error occurs and an insufficient amount of
29 biodiesel has inadvertently been blended with petroleum-based
30 diesel fuel so that the mixture fails to qualify as B-11 or
31 higher a one percent tolerance applies when classifying the
32 biodiesel blended fuel.

33 Sec. 8. Section 422.11P, subsections 4 and 8, Code 2016, are
34 amended to read as follows:

35 4. For a retail dealer whose tax year is on a calendar year

1 basis, the retail dealer shall calculate the amount of the tax
2 credit by multiplying a designated rate by the retail dealer's
3 total biodiesel blended fuel gallonage as provided in section
4 452A.31 which qualifies under [this subsection](#).

5 ~~a. In calendar year 2012, in order to qualify for the tax~~
6 ~~credit, the biodiesel blended fuel must be classified as B-2~~
7 ~~B-5 or higher as provided in paragraph "b".~~

8 ~~(1) For biodiesel blended fuel classified as B-2 or higher~~
9 ~~but not as high as B-5, the designated rate is two cents.~~

10 ~~(2) b. (1) (a) For~~ Until December 31, 2017, for biodiesel
11 blended fuel classified as B-5 or higher, the designated rate
12 is four and one-half cents.

13 (b) This subparagraph (1) is repealed on January 1, 2019.

14 ~~b. (2) In calendar year 2013 and for each subsequent~~
15 ~~calendar year, in order to qualify for the tax credit, the~~
16 Beginning January 1, 2018, the designated rate is determined
17 as follows:

18 (a) For biodiesel blended fuel ~~must be~~ classified as B-5
19 ~~or higher. The~~ but not as high as B-11, the designated rate
20 ~~for the qualifying biodiesel blended fuel is four and one-half~~
21 three and one-half cents.

22 (b) For biodiesel blended fuel classified as B-11 or higher,
23 the designated rate is five and one-half cents.

24 8. [This section](#) is repealed January 1, ~~2018~~ 2025.

25 Sec. 9. Section 422.33, subsection 11C, paragraph c, Code
26 2016, is amended to read as follows:

27 c. [This subsection](#) is repealed on January 1, ~~2018~~ 2025.

28 Sec. 10. 2011 Iowa Acts, chapter 113, section 31, is amended
29 to read as follows:

30 SEC. 31. TAX CREDIT AVAILABILITY. For a retail dealer
31 who may claim a biodiesel blended fuel promotion tax credit
32 under [section 422.11P](#) or [422.33, subsection 11C](#), as amended
33 in this Act and amended in subsequent Acts, in calendar year
34 ~~2017~~ 2024, and whose tax year ends prior to December 31, ~~2017~~
35 2024, the retail dealer may continue to claim the tax credit in

1 the retail dealer's following tax year. In that case, the tax
2 credit shall be calculated in the same manner as provided in
3 section 422.11P or 422.33, subsection 11C, as amended in this
4 Act and amended in subsequent Acts, for the remaining period
5 beginning on the first day of the retail dealer's new tax year
6 until December 31, ~~2017~~ 2024. For that remaining period, the
7 tax credit shall be calculated in the same manner as a retail
8 dealer whose tax year began on the previous January 1 and who
9 is calculating the tax credit on December 31, ~~2017~~ 2024.

10 DIVISION IV

11 SALES AND USE TAX — BIODIESEL PRODUCTION REFUND

12 Sec. 11. Section 423.4, subsection 9, paragraph e, Code
13 2016, is amended to read as follows:

14 e. This subsection is repealed on January 1, ~~2018~~ 2025.

15 DIVISION V

16 FUTURE REPEALS

17 Sec. 12. Section 422.11O, subsection 5, Code 2016, is
18 amended to read as follows:

19 5. ~~a.~~ A retail dealer is eligible to claim an E-85 gasoline
20 promotion tax credit as provided in this section even though
21 the retail dealer claims ~~one or all of the following related~~
22 ~~tax credits:~~

23 ~~(1) The ethanol promotion tax credit pursuant to section~~
24 ~~422.11N.~~

25 ~~(2) The an E-15 plus gasoline promotion tax credit pursuant~~
26 ~~to section 422.11Y.~~

27 ~~b. (1) The retail dealer may claim the E-85 gasoline~~
28 ~~promotion tax credit and one or more of the related tax credits~~
29 ~~as provided in paragraph "a" for the same tax year.~~

30 ~~(2) The retail dealer may claim the ethanol promotion~~
31 ~~tax credit as provided in paragraph "a" for the same ethanol~~
32 ~~gallonage used to calculate and claim the E-85 gasoline~~
33 ~~promotion tax credit.~~

34 Sec. 13. Section 422.11Y, subsection 6, Code 2016, is
35 amended to read as follows:

1 6. ~~a.~~ A retail dealer is eligible to claim an E-15 plus
2 gasoline promotion tax credit as provided in **this section** even
3 though the retail dealer claims ~~one or all of the following~~
4 ~~related tax credits.~~

5 ~~(1) The ethanol promotion tax credit pursuant to section~~
6 ~~422.11N.~~

7 ~~(2) The an E-85 gasoline promotion tax credit pursuant to~~
8 ~~section 422.11O.~~

9 ~~b. (1) The retail dealer may claim the E-15 plus gasoline~~
10 ~~promotion tax credit and one or more of the related tax credits~~
11 ~~as provided in paragraph "a" for the same tax year.~~

12 ~~(2) The retail dealer may claim the ethanol promotion~~
13 ~~tax credit as provided in paragraph "a" for the same ethanol~~
14 ~~gallage used to calculate and claim the E-15 plus gasoline~~
15 ~~promotion tax credit.~~

16 Sec. 14. REPEAL. Any intervening provision effective prior
17 to the effective date of this division of this Act that amends
18 section 422.11O, subsection 5, or section 422.11Y, subsection
19 6, as amended in this division of this Act, is repealed, unless
20 that Act or another Act specifically provides otherwise.

21 Sec. 15. EFFECTIVE DATE. This division of this Act takes
22 effect January 1, 2021.

23

EXPLANATION

24 The inclusion of this explanation does not constitute agreement with
25 the explanation's substance by the members of the general assembly.

26 BIOFUELS TAX CREDIT AND REFUND EXTENSIONS. This bill
27 extends the expiration date of four biofuel tax programs from
28 January 1, 2018, to January 1, 2025, including three income tax
29 credits and one sales and use tax refund.

30 BIODIESEL FUEL TAX CREDIT — INCREASED TAX CREDIT RATE FOR
31 B-11 OR HIGHER. Beginning January 1, 2018, the bill decreases
32 the designated tax credit rate for the sale of biodiesel
33 blended fuel classified as B-5 or higher but not as high as
34 B-11 from 4.5 to 3.5 cents per gallon and correspondingly the
35 designated tax credit rate for the sale of biodiesel blended

1 fuel classified as B-11 or higher is increased from 4.5 cents
2 to 5.5 cents per gallon. The bill also provides that the
3 department of revenue is required to adopt rules to account for
4 errors in the blending of diesel fuel and biodiesel.

5 BACKGROUND. A biofuel is a substance blended with motor fuel
6 (gasoline or diesel fuel) and includes either ethanol (ethyl
7 alcohol) or biodiesel (a substance derived from vegetable
8 oils or animal fats) meeting state standards (Code section
9 214A.2). A motor fuel blended with a biofuel is referred to
10 as a renewable fuel. The amount of the tax credit or refund
11 is claimed by a taxpayer on a tax or calendar year basis after
12 multiplying the total gallonage of a qualifying renewable fuel
13 or biofuel times a designated monetary rate.

14 CURRENT INCOME TAX CREDITS. The income tax credits may
15 be claimed by a retail dealer operating a retail motor fuel
16 site and the amount of each tax credit is based on the total
17 number of gallons of a renewable fuel sold. The E-15 plus
18 gasoline promotion tax credit requires an ethanol content of
19 between 15 and 69 percent per gallon and the designated rate
20 equals 3 cents except between June 1 and September 15 when
21 the designated rate increases to 10 cents. The E-85 gasoline
22 promotion tax credit requires an ethanol content of between
23 70 and 85 percent per gallon and the designated rate equals
24 16 cents. The biodiesel blended fuel tax credit requires a
25 biodiesel content of at least 5 percent per gallon (B-5) and
26 the designated rate equals 4.5 cents.

27 SALES AND USE TAX REFUND. The sales and use tax refund may
28 be claimed by a biodiesel producer who manufactures biodiesel
29 for use in biodiesel blended fuel. The amount of the refund
30 equals the total number of gallons of biodiesel produced during
31 each calendar year quarter multiplied by a designated rate
32 of 2 cents. However, a producer cannot claim the refund on
33 more than 25 million gallons produced at any one manufacturing
34 facility.

35 FUTURE REPEAL OF REFERENCES TO THE ETHANOL PROMOTION TAX

1 CREDIT. The bill amends Code sections creating the E-85
2 gasoline promotion tax credit and the E-15 plus gasoline
3 promotion tax credit by repealing references to another tax
4 credit referred to as the ethanol promotion tax credit claimed
5 by a retail dealer who attains a certain threshold number of
6 all biofuels sold during a determination period and which is
7 based on the number of gallons of pure ethanol sold during that
8 period. The amendments become effective on January 1, 2021,
9 which is the date that the ethanol promotion tax credit is due
10 to expire.